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C O N F I D E N T I A L SECTION 01 OF 02 BUCHAREST 000003

SIPDIS

STATE FOR EUR ASCHIEBE AND MBRYZA
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E.O. 12958: DECL: 01/05/2019
TAGS: [ECON](#) [ENRG](#) [EPET](#) [PREL](#) [PGOV](#) [RO](#)
SUBJECT: ROMANIA: SUFFICIENT GAS ON TAP DESPITE AN INITIAL
30 PERCENT DROP IN IMPORTS

Classified By: CDA JERI GUTHRIE-CORN FOR REASONS 1.4 (B) AND (D).

¶1. (C) Summary. The Russia-Ukraine gas dispute resulted in an initial 30 percent decline in Romanian gas imports from Russia via the two pipelines connecting Romania to Russia. Despite this substantial drop in imports, sufficient domestic production and gas reserves exist to manage demand in the short to medium term. What the decline in imports does highlight, however, is the importance of pursuing energy security by diversifying gas supplies. As domestic gas production continues to decline, the GOR will remain focused on securing import options that do not rely on either Russia or Ukraine. These options include Nabucco, an LNG import terminal, and better interconnections in the European gas grid. Nabucco remains the main priority and Romania plans to participate in the upcoming Budapest summit, while continuing to encourage the EU to support a comprehensive energy policy.
End Summary.

¶2. (SBU) EconOff met with Mihail Harbic, Deputy Director of the Economic Cooperation Directorate at the Ministry of Foreign Affairs on January 5th to discuss reports of declining natural gas imports from Ukraine. Harbic confirmed that imports of Russian gas via Ukraine fell by more than 30 percent from normal levels shortly after Gazprom reduced the amount of gas exported to Ukraine. According to the state run gas company, Romgaz, the Mediesul Aurit pipeline continued to receive gas at the regular capacity of 2.4 million cubic meters (mcm) per day, while the Isaccea pipeline received only 3.1 mcm of gas, well below the regular import volume of 7.1 mcm. Both Romgaz and Transgaz (the state gas transmission company) have publicly cautioned against reading too much into the figures, as the amount of gas in the pipelines has been fluctuating on an almost hourly basis since the dispute started, with Romgaz General Manager Fransisc Toth issuing a statement that imports returned to 20 percent below normal levels on January 4th and 5th before dropping dramatically the morning of January 6th, causing a shutdown of the Isaccea pipeline. Despite the dramatic headlines, the drop in imports has not had an impact on end users in Romania. As a large gas producer, facing some of the highest gas import prices in Europe (480 USD/ thousand cubic meters), Romanian gas usage is already heavily biased toward domestic sources. At the current average daily consumption of 58.5 mcm, domestic production covers 56.41 percent of demand, with the remainder being met by both imported gas and underground gas storage. In the medium term, the 2.2 billion cubic meters (bcm) of natural gas stored underground should be sufficient to meet domestic demand, despite a current daily extraction rate of almost 25 mcm. Harbic did note that the current economic slowdown was

actually helping matters, as it has idled some of the largest natural gas consumers, such as OMV-owned chemical manufacturer Doljchim, which normally consumes 1.2 mcm per day.

13. (C) While there is no short term crisis, the current situation does highlight the importance of pursuing energy security through supply diversification. Harbic underlined that the main thrust of GOR policy will continue to be bringing Caspian gas to Europe through the Nabucco pipeline, while also continuing efforts to build an LNG import terminal on the Black Sea (USTDA and local partner Romgaz are in the process of receiving bids to conduct a feasibility study of the latter option). Agreeing that interconnections are also part of the solution, Harbic said that given the limited resources available to build new pipelines, the main focus would continue to be on increasing supply. Acknowledging EconOff's concern that statements by Transgaz and the Ministry of Economy could be interpreted as a willingness to host part of the proposed South Stream pipeline on Romanian soil, Harbic said that this option is not considered a good choice by Romanian policymakers, but that it may be the only real option left if the Nabucco project were to fail. The GOR's main goal is to do whatever is necessary to keep Nabucco moving forward. The GOR is planning for high level representation at the upcoming Budapest summit, although Harbic did say that the new Prime Minister had not yet decided whether or not he would personally head Romania's delegation. Harbic asked whether or not the U.S. had decided to send a representative to the summit and what we hoped the outcome would be. He was skeptical that enough forward progress had been made to secure an inter-governmental

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agreement (IGA) by the time the summit takes place at the end of January. EconOff responded that he was unaware of the composition of the U.S. delegation, noting that the summit comes just one week into the start of a new Administration, but that our general hope was that the parties could come closer to agreement on an IGA. Harbic said that he did not expect the new Romanian government to substantially alter Romania's energy policies, noting that President Basescu holds strong opinions on the importance of ensuring Romania's energy security through projects such as Nabucco and intimating that these views hold considerable sway over the new Prime Minister.

14. (C) Comment. The lack of an immediate gas supply crisis in Romania has made the GOR reluctant to play an active role in mediating the current dispute between Russia and Ukraine. While the new Romanian Foreign Minister is planning a trip to Ukraine in the coming weeks, the trip is not seen as a reaction to the current gas dispute, but is rather planned as part of a broader bilateral dialogue covering a range of issues. Nevertheless, the dispute underscores Romania's desire to have a natural gas import option which depends on neither Russia nor Ukraine. Ukrainian demands for gas at prices nearly 200 USD less than what Romania is currently paying do not engender much sympathy, while the ability to substitute gas reserves for imported gas gives the GOR the luxury of remaining outside of the fray at this time. End Comment.
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